



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES
SHERIFF'S SETTLEMENT - 1998 AND 1999 UNMINED COAL TAXES**

August 21, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

PULASKI COUNTY SAM CATRON, SHERIFF SHERIFF'S SETTLEMENT - 1999 TAXES SHERIFF'S SETTLEMENT 1998 AND 1999 UNMINED COAL TAXES

August 21, 2000

Audit Opinion:

We have issued an unqualified opinion in our independent auditor's report of the 1999 Pulaski County Taxes and the 1998 and 1999 Pulaski County Unmined Coal Taxes.

Comment and Recommendation:

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$141,931 To Protect Deposits

Audit Results:

1999 Taxes-

As of April 26 2000, the Sheriff owed various taxing districts a total of \$67 and was due refunds totaling \$2,109. Additional commissions of \$1,835 were due to the fee account and \$127 in interest was due to the fee account. One franchise tax bill was overpaid by \$143 and this amount should be refunded to the taxpayer. After all refunds and payments are settled, the Sheriff should have a surplus of \$25 in his 1999 tax account. This amount should be transferred to the fee account.

Financial Statements:

The net tax yield from 1999 regular taxes was \$10,924,900 and the total regular taxes paid to the taxing districts was \$10,532,657. The net tax yield for the 1998 and 1999 Unmined coal taxes was \$20 and correct amounts were paid to the taxing districts.

Notes To Financial Statements:

The Pulaski County Sheriff's office earned \$16,969 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Honorable Sam Catron, Pulaski County Sheriff

Members of the Pulaski County Fiscal Court

Independent Auditor's Report

We have audited the Pulaski County Sheriff's Settlement - 1999 Taxes as of April 26, 2000, Sheriff's Settlement - 1998 Unmined Coal Taxes as of November 29, 1999, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of August 21, 2000. These tax settlements are the responsibility of the Pulaski County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Pulaski County Sheriff's taxes charged, credited, and paid as of April 26, 2000, November 29, 1999, and August 21, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Darrell BeShears, Pulaski County Judge/Executive
Honorable Sam Catron, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$141,931 To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated October 27, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 27, 2000

PULASKI COUNTY
SAM CATRON, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

April 26, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 884,124	\$ 899,368	\$ 4,901,341	\$ 2,256,042
Tangible Personal Property	104,522	115,334	432,827	664,348
Intangible Personal Property				321,560
Fire Protection	942			
Franchise Corporation Taxes	76,171	82,691	409,772	
Bank Shares	155,557			
Limestone, Sand, and Gravel	507	515	3,512	1,293
Gas and Oil	95	97	660	243
Increased Through Erroneous Assessments	2,642	2,688	15,374	7,396
Penalties	5,678	5,801	33,330	15,768
Adjusted to Sheriff's Receipt	186	187	1,296	439
Gross Chargeable to Sheriff	<u>\$ 1,230,424</u>	<u>\$ 1,106,681</u>	<u>\$ 5,798,112</u>	<u>\$ 3,267,089</u>
<u>Credits</u>				
Discounts	\$ 16,734	\$ 13,979	\$ 72,735	\$ 44,864
Exonerations	9,228	9,469	59,067	23,455
Delinquents:				
Real Estate	20,712	21,069	124,972	52,852
Tangible Personal Property	588	633	2,855	2,959
Intangible Personal Property				1,235
Total Credits	<u>\$ 47,262</u>	<u>\$ 45,150</u>	<u>\$ 259,629</u>	<u>\$ 125,365</u>
Net Tax Yield	\$ 1,183,162	\$ 1,061,531	\$ 5,538,483	\$ 3,141,724
Less: Commissions (a)	<u>50,572</u>	<u>45,115</u>	<u>152,308</u>	<u>133,811</u>
Net Taxes Due	\$ 1,132,590	\$ 1,016,416	\$ 5,386,175	\$ 3,007,913
Taxes Paid	1,132,590	1,014,696	5,380,515	3,004,857
Refunds (Current and Prior Year)	<u>1,591</u>	<u>1,653</u>	<u>6,056</u>	<u>3,178</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ (1,591)</u>	<u>\$ (b) 67</u>	<u>\$ (c) (396)</u>	<u>\$ (122)</u>

(a), (b), and (c) See Page 4

PULASKI COUNTY
 SAM CATRON, SHERIFF
 SHERIFF'S SETTLEMENT - 1999 TAXES
 April 26, 2000
 (Continued)

(a) Commissions:

10% on	\$	10,000
4.25% on	\$	5,376,417
2.75% on	\$	5,538,483

(b) Special Taxing Districts:

Library District	\$	35
Health District		20
Extension District		<u>12</u>

Due Special Taxing Districts	\$	<u><u>67</u></u>
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(c) School Districts:

Common School District	\$	(341)
Science Hill School District		<u>(55)</u>

Refunds Due From School Districts	\$	<u><u>(396)</u></u>
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The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
SAM CATRON, SHERIFF
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

November 29, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 1	\$ 1	\$ 6	\$ 2
Total Credits	\$ 0	\$ 0	\$ 0	\$ 0
Net Tax Yield	\$ 1	\$ 1	\$ 6	\$ 2
Less: Commissions	0	0	0	0
Net Taxes Due	\$ 1	\$ 1	\$ 6	\$ 2
Taxes Paid	1	1	6	2
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
SAM CATRON, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

August 21, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 1	\$ 1	\$ 6	\$ 2
Total Credits	\$ 0	\$ 0	\$ 0	\$ 0
Net Tax Yield	\$ 1	\$ 1	\$ 6	\$ 2
Less: Commissions	0	0	0	0
Net Taxes Due	\$ 1	\$ 1	\$ 6	\$ 2
Taxes Paid	1	1	6	2
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

PULASKI COUNTY
NOTES TO THE FINANCIAL STATEMENTS

August 21, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$141,931 of public funds uninsured and unsecured.

PULASKI COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 August 21, 2000
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 9, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 7,741,269
Uncollateralized and Uninsured	<u>141,931</u>
Total	<u><u>\$ 7,883,200</u></u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 20, 1999 through April 26, 2000.

1998 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was July 30, 1999 through November 29, 1999.

1999 Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 24, 2000 through August 21, 2000.

Note 4. Interest Income

The Pulaski County Sheriff earned \$16,969 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

PULASKI COUNTY
SAM CATRON, SHERIFF
COMMENT AND RECOMMENDATION

August 21, 2000

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$141,931 To Protect Deposits

On November 9, 1999, \$141,931 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

We were under the impression we were covered because Irene McWhorter called and asked Mr. Tom Price for 4.5 million in pledges and he assured her that our money would be covered.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Darrell BeShears, Pulaski County Judge/Executive
Honorable Sam Catron, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pulaski County Sheriff's Settlement - 1999 Taxes as of April 26, 2000, Sheriff's Settlement - 1998 Unmined Coal Taxes as of November 29, 1999, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of August 21, 2000. We have issued our report thereon dated October 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pulaski County Sheriff's Settlement - 1999 Taxes as of April 26, 2000, Sheriff's Settlement - 1998 Unmined Coal Taxes as of November 29, 1999, and Sheriff's Settlement - 1999 Unmined Coal Taxes as of August 21, 2000, are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell BeShears, Pulaski County Judge/Executive
Honorable Sam Catron, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 27, 2000

